

FINANCIAL REPORT
MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1
DECEMBER 31, 2018 AND 2017

MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1

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DECEMBER 31, 2018 AND 2017

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June 27, 2019

Board of Directors
Marrero-Harvey Volunteer Fire Company No. 1
808 MacArthur Avenue
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Report on the Financial Statements

We have audited the accompanying financial statements of the Marrero-Harvey Volunteer Fire Company No. 1 (a Louisiana nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marrero-Harvey Volunteer Fire Company No. 1 as of December 31, 2018 and 2017, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Marrero-Harvey Volunteer Fire Company No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marrero-Harvey Volunteer Fire Company No. 1's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 3,857,367	\$ 4,686,268
Prepaid insurance	<u>15,814</u>	<u>25,608</u>
Total current assets	<u>3,873,181</u>	<u>4,711,876</u>
PROPERTY AND EQUIPMENT:		
(Net of accumulated depreciation of \$2,226,939 and \$2,061,467)	<u>3,573,547</u>	<u>2,373,714</u>
 TOTAL ASSETS	 <u><u>\$ 7,446,728</u></u>	 <u><u>\$ 7,085,590</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 141,545
Accrued payroll and withholdings	75,451	40,354
Accrued leave	<u>65,856</u>	<u>78,314</u>
Total current liabilities	<u>141,307</u>	<u>260,213</u>
NET ASSETS:		
Without donor restrictions	<u>7,305,421</u>	<u>6,825,377</u>
Total net assets	<u>7,305,421</u>	<u>6,825,377</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 7,446,728</u></u>	 <u><u>\$ 7,085,590</u></u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER SUPPORT:		
Firefighting contract	\$ 2,400,000	\$ 2,400,000
Operating subsidy/capital improvements	383,402	-
Insurance rebate	55,707	55,501
Donated firefighting services	65,366	65,179
Interest	2,939	2,338
Contributions and donations	7,283	9,194
Other income	496	71,241
Insurance proceeds	50,816	-
Total revenues and other support	<u>2,966,009</u>	<u>2,603,453</u>
EXPENSES:		
Program services - firefighting	2,241,413	2,226,434
Supporting services - management and general	244,552	222,479
Total expenses	<u>2,485,965</u>	<u>2,448,913</u>
INCREASE IN NET ASSETS	480,044	154,540
NET ASSETS - BEGINNING OF YEAR	<u>6,825,377</u>	<u>6,670,837</u>
NET ASSETS - END OF YEAR	<u>\$ 7,305,421</u>	<u>\$ 6,825,377</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING</u> <u>SERVICES</u> Management and General	<u>Total</u>
	<u>Firefighting</u>		
EXPENSES:			
Accounting and legal	\$ -	\$ 15,668	\$ 15,668
Bank charges	-	814	814
Depreciation	191,952	21,328	213,280
Donated firefighting services	65,366	-	65,366
Dues and subscriptions	667	74	741
Firefighting supplies	56,931	-	56,931
Fuel	19,711	-	19,711
Insurance	472,129	52,459	524,588
Investigations	471	-	471
Loss on disposal of assets	1,989	-	1,989
Maintenance	73,303	-	73,303
Meals and consumables	4,867	-	4,867
Medical	16,150	1,794	17,944
Miscellaneous	21,479	2,387	23,866
Office supplies	-	5,596	5,596
Operating supplies	14,682	-	14,682
Payroll taxes	104,048	11,561	115,609
Radio	1,827	-	1,827
Retirement	30,074	3,342	33,416
Salaries and wages	1,135,975	126,219	1,262,194
Telephone	6,103	678	6,781
Travel	-	-	-
Utilities	<u>23,689</u>	<u>2,632</u>	<u>26,321</u>
 TOTAL	 <u>\$ 2,241,413</u>	 <u>\$ 244,552</u>	 <u>\$ 2,485,965</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING</u> <u>SERVICES</u> Management and General	<u>Total</u>
	<u>Firefighting</u>		
EXPENSES:			
Accounting and legal	\$ -	\$ 12,711	\$ 12,711
Bank charges	-	850	850
Depreciation	122,297	13,589	135,886
Donated firefighting services	65,179	-	65,179
Dues and subscriptions	529	59	588
Firefighting supplies	99,231	-	99,231
Fuel	16,710	-	16,710
Insurance	382,931	42,548	425,479
Investigations	1,059	-	1,059
Loss on disposal of assets	84,731	-	84,731
Maintenance	110,908	-	110,908
Meals and consumables	6,773	-	6,773
Medical	20,142	2,238	22,380
Miscellaneous	20,893	2,322	23,215
Office supplies	-	10,270	10,270
Operating supplies	23,408	-	23,408
Payroll taxes	91,500	10,167	101,667
Radio	31,990	-	31,990
Retirement	30,978	3,442	34,420
Salaries and wages	1,088,544	120,949	1,209,493
Telephone	5,364	596	5,960
Travel	-	153	153
Utilities	23,267	2,585	25,852
	<u>23,267</u>	<u>2,585</u>	<u>25,852</u>
 TOTAL	 <u>\$ 2,226,434</u>	 <u>\$ 222,479</u>	 <u>\$ 2,448,913</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 480,044	\$ 154,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	213,280	135,886
Loss on sale of property and equipment	1,989	84,731
(Increase) decrease in operating assets:		
Prepaid expenses	9,794	3,463
Increase (decrease) in operating liabilities:		
Accounts payable	(141,545)	53,630
Accrued leave	(12,458)	16,365
Accrued payroll and withholdings	35,097	(23,001)
Net cash provided by operating activities	<u>586,201</u>	<u>425,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(1,415,102)</u>	<u>(369,002)</u>
Net cash used in investing activities	<u>(1,415,102)</u>	<u>(369,002)</u>
NET INCREASE IN CASH	(828,901)	56,612
CASH - BEGINNING OF YEAR	<u>4,686,268</u>	<u>4,629,656</u>
CASH - END OF YEAR	<u>\$ 3,857,367</u>	<u>\$ 4,686,268</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

ORGANIZATION:

Marrero-Harvey Volunteer Fire Company No. 1 (the fire company) was established to provide firefighting and rescue services to a designated area of the Eighth Fire Protection District (a separate entity) of Jefferson Parish, Louisiana. In addition, the fire company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The fire company maintains three fire stations and has approximately 24 paid employees and 10 volunteers. The fire company's main source of revenue comes from Jefferson Parish. The current contract was adopted by Jefferson Parish Council on November 15, 2017, by resolution number 130389. The contract is for 10 years expiring on December 1, 2027.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Financial Statement Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The fire company is required to report information regarding its financial position according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. As of December 31, 2018 and 2017, the fire company had only net assets without donor restrictions.

The statement of activities presents expenses of the fire company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Contributions and Donated Services:

In accordance with ASC 958-605, contributions received are recorded as with donor restriction and without donor support depending on the existence and nature of any donor restrictions.

ASC 958-605 provides that the value of donated services should be recognized in financial statements, if the services require specialized skills are provided by persons possessing those skills, and the services would be purchased if they were not donated.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions and Donated Services: (Continued)

The fire company's volunteer firefighters undergo extensive specialized training, and the firefighting services would have to be purchased if the services were not provided by volunteers. Accordingly, donated firefighting services are recognized in the financial statements at estimated fair value.

Income Taxes:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(4) as a nonprofit organization. Accordingly, the financial statements do not reflect a provision for income taxes. The fire company's Federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Statement of Cash Flows:

For purposes of the statement of cash flows, the fire company has defined cash as cash in banks, money market accounts, and certificates of deposit with original maturities of three months or less.

Property and Equipment:

Acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost or estimated historical cost, if acquisition cost is not available. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Vehicles	7 - 15 years
Furniture and fixtures	5 - 10 years
Firefighting equipment	7 - 25 years
Buildings and improvements	10 - 30 years

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accrued Leave:

Annual Leave

Employees earn and accumulate annual leave at various rates, depending on their years of service. The maximum amount of annual leave that may be accumulated in one year is 360 hours. A maximum of 216 hours of annual leave can be carried over to the next calendar year. Upon termination, employees are compensated for up to 576 hours of unused annual leave at the employee's hourly rate of pay at the time of termination.

The liability for accrued annual leave was \$65,856 and \$78,314 as of December 31, 2018 and 2017, respectively.

Sick Leave

Operators scheduled to work 50 or more hours per week earn sick leave. However, upon termination of employment for any reason, the employee will not be paid for any sick leave. Therefore, there is no accrual of sick leave recorded in the financial statements.

2. CASH:

At December 31, 2018 and 2017, the fire company maintained cash balances and savings accounts in several local banks. The bank balances and book balances as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Book</u> <u>Balances</u>	<u>Bank</u> <u>Balances</u>	<u>Book</u> <u>Balances</u>	<u>Bank</u> <u>Balances</u>
Checking accounts	\$3,674,896	\$3,721,134	\$4,503,889	\$4,545,318
Savings accounts	<u>182,471</u>	<u>182,458</u>	<u>182,379</u>	<u>182,367</u>
Total cash	<u><u>\$3,857,367</u></u>	<u><u>\$3,903,592</u></u>	<u><u>\$4,686,268</u></u>	<u><u>\$4,727,685</u></u>

The fire company's bank balances were entirely covered by FDIC insurance or pledged securities held by Capital One Bank in the name of the Marrero-Harvey Volunteer Fire Company No. 1 at December 31, 2018 and 2017, respectively.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. PROPERTY AND EQUIPMENT:

Below is a summary of activity in the fire company's property and equipment accounts during the years ended December 31, 2018 and 2017:

	2018				
	Balance <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	Completed <u>Construction</u>	Balance <u>12/31/18</u>
Land	\$ 89,218	\$ -	\$ -	\$ -	\$ 89,218
Buildings	725,986	-	-	-	725,986
Vehicles	1,634,663	105,195	-	1,000,000	2,739,858
Firefighting equipment	593,801	4,815	(49,798)	-	548,818
Furniture and fixtures	36,825	5,270	-	-	42,095
Vehicle work in progress	1,000,000	-	-	(1,000,000)	-
Construction in progress	354,688	1,299,823	-	-	1,654,511
	<u>4,435,181</u>	<u>1,415,103</u>	<u>(49,798)</u>	<u>-</u>	<u>5,800,486</u>
Accumulated depreciation	<u>(2,061,467)</u>	<u>(213,280)</u>	<u>47,808</u>	<u>-</u>	<u>(2,226,939)</u>
Net property and equipment	<u>\$ 2,373,714</u>	<u>\$1,201,823</u>	<u>\$ (1,990)</u>	<u>\$ -</u>	<u>\$ 3,573,547</u>
	2017				
	Balance <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	Completed <u>Construction</u>	Balance <u>12/31/17</u>
Land	\$ 89,218	\$ -	\$ -	\$ -	\$ 89,218
Buildings	908,109	-	(182,123)	-	725,986
Vehicles	1,634,663	-	-	-	1,634,663
Firefighting equipment	645,930	97,902	(150,031)	-	593,801
Furniture and fixtures	46,073	-	(9,248)	-	36,825
Vehicle work in progress	1,000,000	-	-	-	1,000,000
Construction in progress	83,588	271,100	-	-	354,688
	<u>4,407,581</u>	<u>369,002</u>	<u>(341,402)</u>	<u>-</u>	<u>4,435,181</u>
Accumulated depreciation	<u>(2,182,252)</u>	<u>(135,886)</u>	<u>256,671</u>	<u>-</u>	<u>(2,061,467)</u>
Net property and equipment	<u>\$ 2,225,329</u>	<u>\$ 233,116</u>	<u>\$ (84,731)</u>	<u>\$ -</u>	<u>\$ 2,373,714</u>

Depreciation expense totaled \$213,280 and \$135,886 during the years ended December 31, 2018 and 2017, respectively.

Jefferson Parish owns the Station 81 building which the fire company has been allowed to use at no cost under a verbal agreement with no established termination date. Jefferson Parish also owns the 2011 Pierce Pumper E-818 and the Pierce Pumper S-819. The fire company uses the trucks as part of the contract with Jefferson Parish.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. PROPERTY AND EQUIPMENT: (Continued)

On September 30, 2016, the fire company entered into a Cooperative Endeavor Agreement with the Eighth Fire Protection District of Jefferson Parish, Louisiana, for the purchase of a Pierce-Arrow XT 105-foot ladder truck to be used for firefighting services to and to provide fire prevention and protection services to benefit the citizens of Jefferson Parish. The Eighth Fire Protection District of Jefferson Parish provided \$1,000,000 for the purchase of the ladder truck. A balance of \$94,902 is due when the ladder truck is delivered to the fire company. The ladder truck was delivered to the fire company in 2018.

4. DONATED SERVICES:

Volunteer firefighters of the fire company responded to 1,307 and 1,291 calls for service during 2018 and 2017, respectively. The value of these volunteer services is computed using the minimum hourly pay for the fire company's paid personnel during the year, multiplied by an average response duration of 1.25 and 1.25 hours during 2018 and 2017, respectively, with the result multiplied by the number of volunteers per call. The minimum hourly pay was \$12.50 and \$12.50 per hour for 2018 and 2017, respectively. The hours provided by officers approximated 2,444 and 2,444 at an hourly rate of \$12.50 and \$12.50 for 2018 and 2017, respectively. The hours provided by captains and assistant chiefs approximated 1,560 and 1,560 at an hourly rate of \$12.50 and \$12.50 for 2018 and 2017, respectively. The total resulting values for volunteer firefighting services of \$65,366 and \$65,179 for the years ended December 31, 2018 and 2017, respectively, is reported as revenue and firefighting expense.

This value should be recognized as the minimum value of volunteer services, as it includes only the time volunteers were actually responding to calls for assistance. No value has been placed on overtime or downtime maintenance. The actual cost of replacing the fire company's volunteers with paid firefighters would be significantly higher.

All members of the Board of Directors serve without compensation.

5. ECONOMIC DEPENDENCY:

Substantially all of the fire company's public support is derived from funds provided by Jefferson Parish. The fire company receives one-third of certain ad valorem taxes assessed within the Eighth Fire Protection District of Jefferson Parish, as well as additional funding from sales tax and fire insurance rebates. The amount received and used for operations under this contract totaled \$2,400,000 and \$2,400,000 for the years ended December 31, 2018 and 2017, respectively.

In 2017 the fire company requested from the Parish a portion of the proceeds received from the BP Oil Co., Inc. settlement to aid in the construction of the new station. The amount received and used for capital improvements and operating subsidy under this contract totaled \$383,402.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. ECONOMIC DEPENDENCY: (Continued)

The revenue received from insurance rebates totaled \$55,707 and \$55,501 for 2018 and 2017, respectively. The amount received is based on the number of homes within the fire district.

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The fire company manages its liquidity by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As of December 31, 2018, financial assets available for expenses within one year of the balance sheet date consist of cash and cash equivalents in the amount of \$3,857,367 and prepaid insurance in the amount of \$15,813. As of December 31, 2017, financial assets available for expenses within one year of the balance sheet date consist of cash and cash equivalents in the amount of \$4,686,268 and prepaid insurance in the amount of \$25,608.

7. RETIREMENT PLAN:

The fire company has a contributory retirement plan covering all paid employees with at least one year of service. Eligible employees must contribute 3% of their gross salary to be eligible for employer matching contributions. The fire company contributes 3% of participating employees' annual salaries. The retirement expense for the plan for the years ended December 31, 2018 and 2017, was \$33,416 and \$34,420, respectively.

8. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received does not vary based upon years of service and is based upon state law. As these supplemental state funds are paid directly to the firefighters and do not pass through the fire company, the funds are not included in these financial statements.

9. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. DATE OF MANAGEMENT'S REVIEW:

The fire company has evaluated subsequent events through June 27, 2019, the date which the financial statements were available to be issued.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

11. NEW ACCOUNTING PRONOUNCEMENT:

In 2018, the Company implemented FASB 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Company has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the fire company’s financial statements:

- The unrestricted net assets class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 6).

The changes had the following effect on net assets at December 31, 2017:

	As Originally <u>Presented</u>	After Adoption <u>of ASU 2016-14</u>
Net Asset Class:		
Unrestricted net assets	\$ 6,825,377	\$ -
Net assets without donor restrictions	<u>-</u>	<u>6,825,377</u>
Total Net Assets	<u>\$ 6,825,377</u>	<u>\$ 6,825,377</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

SUPPLEMENTARY INFORMATION

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name:

Don Robertson, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 101,320
Benefits - insurance	18,139
Benefits - retirement	3,040
Per diem	252
	<u>\$ 122,751</u>



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Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

June 27, 2019

To the Board of Directors
Marrero-Harvey Volunteer Fire Company No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marrero-Harvey Volunteer Fire Company No. 1 (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marrero-Harvey Volunteer Fire Company No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marrero-Harvey Volunteer Fire Company No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marrero-Harvey Volunteer Fire Company No. 1's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marrero-Harvey Volunteer Fire Company No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marrero-Harvey Volunteer Fire Company No. 1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marrero-Harvey Volunteer Fire Company No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Marrero-Harvey Volunteer Fire Company No. 1 for the year ended December 31, 2018 was unmodified.

2. Internal Control
 Material weaknesses: none noted
 Significant deficiencies: none noted

3. Compliance
 Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER *GOVERNMENT AUDITING STANDARDS*
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None noted

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF PRIOR YEAR FINDINGS:

None noted

MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2018

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

June 27, 2019

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Board of Directors
Marrero-Harvey Volunteer Fire Company No. 1 and
the Louisiana Legislative Auditor

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

We have performed the procedures enumerated below, which were agreed to by the Marrero-Harvey Volunteer Fire Company No. 1 (the Company) and the Louisiana Legislative Auditor, on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2018. The Company's management is responsible for the control and compliance areas identified in the SAUPs.

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This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

New Orleans
1615 Poydras Street,
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The procedures and associated findings are as follows:

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Written Policies and Procedures

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions, as applicable:

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

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- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) Disbursements, including processing, reviewing and approving.
- d) Receipts, including receiving, recording, and preparing deposits.
- e) Payroll/personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Upon applying the agreed-upon procedures above, we noted that the Company's payroll policy does not address procedures for processing payroll or reviewing and approving time and attendance records.

Management's response: The Board of Directors of Marrero Harvey Vol. Fire Co.#1 will make operational changes to better fulfill the requirements set forth by the Louisiana Legislative Auditor.

Non-Payroll Disbursements (excluding credit card purchases or payments, travel reimbursements, and petty cash purchases)

- 2) Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No findings were noted as a result of applying the procedure above.

- 3) One location was identified in Step #2 above. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/ modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No findings were noted as a result of applying the procedures above.

- 4) For each location selected under #3 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No findings were noted as a result of applying the procedures.

Ethics

- 5) Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete.

Results: No findings were noted as a result of applying the procedures.

- 6) Using the 5 randomly selected employees/officials above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Upon applying the procedures above, we noted that the Company did not have documentation demonstrating each employee attested through signature verification that he or she has read the entity's ethics policy.

Management's response: While required employees completed the State Ethics Training during fiscal year 2018, we were not aware that they should also read the Marrero-Harvey's ethics policy every year. However, after the auditor informed us this must be done, we will ensure that every employee reads it and have documentation through signature verification for next year.

Other

- 7) Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domicile.

Results: No findings were noted as a result of applying the procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana